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February 7, 1950

MEMORANDUM FOR THE RECORD

Lloyd George just came to see me to deliver orally what he characterized as an "extremely bizarre" report, but one which he said he wanted us to have in any case.

He has received a report from Mukden dated February 4 that there is a "rumor of a strong possibility of a state of war" between the USSR and Communist China. The report further says that the Army Transportation Corps of the Chinese Communist Fourth Field Army has all returned to Manchuria from further south and is now deployed with one division each at the following places, coordinates as given:

Wafangtien (122-03, 39-38)
Hsiung Yo Cheng (122-08, 44-10)
Ying Kuo (122-13, 40-40)
Mukden-Western District

It was further reported that troops under CHOU Pao-Chung are defending North Manchuria. All Soviet personnel in Chinese Communist Government-controlled factories and Soviet trading bureaus are supposed to be returning to the USSR.

According to the Mukden outlet of the New China News Agency, Mao Tse-Tung has signed a mutual assistance and trade pact with the USSR, but because there are "unsolved difficulties" he cannot return to Peiping.

Lloyd says he knows full well the possibility that this information may be a plant, but that his knowledge of the man who reported it (whom he rated as B or C) caused him to want to pass it to us. He said that he had it prepared for Hillie to hand over as he usually does with the sensitive stuff, but that Hillie suggested, because of the information's bizarre character, that it be delivered orally by George. CIA has not disseminated this report to anyone else.

Howard Furnas

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